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Viewing cable 08SANSALVADOR1242, WHA/CEN DIRECTOR WEBSTER'S VISIT TO EL SALVADOR

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Reference ID	Created	Released	Classification	Origin
08SANSALVADOR1242	2008-10-30 22:48	2011-08-30 01:44	CONFIDENTIAL	Embassy San Salvador

Appears in these articles:

<http://www.wikileaks.elfaro.net/es/201106/notas/4565/>

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PP RUEHWEB

DE RUEHSN #1242/01 3042248
ZNY CCCCC ZZH
P 302248Z OCT 08 ZDK
FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC PRIORITY 0257
INFO RUEHCV/AMEMBASSY CARACAS PRIORITY 0352
RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE

C O N F I D E N T I A L SAN SALVADOR 001242

SIPDIS

E.O. 12958: DECL: 10/30/2018
TAGS: [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [EAID](#) [ENRG](#) [MARR](#) [MASS](#) [SNAR](#)
ES
SUBJECT: WHA/CEN DIRECTOR WEBSTER'S VISIT TO EL SALVADOR

REF: A. 07 SAN SALVADOR 2300
[1](#)B. SAN SALVADOR 1140
[1](#)C. SAN SALVADOR 1195

Classified By: The Ambassador, for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: During his October 19-22 visit, WHA/CEN Director Christopher Webster met with key figures on the Salvadoran political and economic

Political Landscape: The FMLN Take

[1](#)2. (C) WHA/CEN Director Christopher Webster met October 20 with FMLN Deputy Hugo Martinez and Alexander Segovia, Economic Advisor to the Mauri

[1](#)3. (C) Segovia and Martinez both blamed President Saca for the current tension between the FMLN and ARENA. He added that several FMLN membe

[1](#)4. (C) When asked about the differences between Funes and the FMLN, and how those would affect an FMLN government, Segovia said that an effect

Political Landscape: ARENA's Position

[1](#)5. (C) Webster met October 20 with ARENA Foreign Policy Advisor Oscar Santamaria, Economic Advisor Rafael Lemus, and Jorge Guirola, CFO of the

Political Landscape: A Commentator's Perspective

[1](#)6. (C) Webster met October 22 with Joaquin Samayoa, a former FMLN member and current political commentator, who outlined the problems of both

[1](#)7. (C) Samayoa commented that ARENA has had many opportunities to consolidate its support, but that its current actions may be too little, too

[1](#)8. (C) Samayoa said that the FMLN has not allowed for internal ideological evolution, and does not permit serious internal debate. He noted that

[1](#)9. (C) Samayoa believes that Mauricio Funes is a person with exceptional analytical ability, and is more pragmatic than ideological. That said,

UN Voting and the Merida Initiative

[1](#)10. (C) Webster met October 20 with Vice Minister of Foreign Affairs Eduardo Calix. When questioned on El Salvador's recent UN voting record,

[1](#)11. (C) Vice Minister Calix reprised the points he raised with DAS Madison (ref C), citing the Central American action plan agreed upon by six

Comalapa Cooperative Security Location (CSL)

[1](#)12. (C) Vice Minister Calix told Webster that the CSL proposal was being reviewed at the highest levels. He said the MFA had circulated the pr

[1](#)13. (C) Webster also discussed the extension of the CSL agreement with Ministry of Defense (MOD) Chief of Defense Policy Colonel Alvarado. Cor

[1](#)14. (C) Just before his departure, Webster visited the CSL facility and received a briefing from its personnel on the activities carried out und

Economic Crises

[1](#)15. (C) On the economic front, FMLN Economic Advisor Segovia said that El Salvador's financial difficulties must be handled immediately; El Salvador cannot wait until the next Legislative Assembly takes office in 2009. He said that the FMLN is ready to act on the short-term debt problems, but not without addressing long-term strategy as well. Segovia

pointed to basic political disagreements as the main roadblock to economic decision-making in the Legislative Assembly. He said the FMLN is ready to accept the proposed \$950 million in loans from the Inter-American Development Bank (IDB) and World Bank, but before that happens, the FMLN and ARENA must determine how to manage those loans for the long-term benefit of the country. Segovia said that a Funes administration would adopt macroeconomic policies to address these long-term concerns.

¶16. (C) ARENA Economic Advisor Rafael Lemus outlined three strategies to address El Salvador's economic problems that would aim to increase the country's GDP by a total of three percent. A close evaluation of subsidies would yield a 1.25 percent increase, tax reforms would account for 1.0) 1.5 percent, and 0.5 percent would come from the formalization of the small business sector and new taxes. Webster asked Lemus about short-term financing, citing a plan presented by the FMLN that addressed both short-term and long-term concerns. Criticizing the FMLN plan, Lemus said the FMLN did not understand the structure of financing, the IDB, and the World Bank. He said the ARENA strategy would focus on investment, budgeting, and future debt. ARENA Foreign Policy Advisor and former Minister of Foreign Affairs (1994-1995) Oscar Santamaria stressed the importance of fiscal reform, and said that it would not be possible without the support of all political players.

The Energy Sector

¶17. (C) Webster met October 20 with AES Country Manager Fernando Pujals, and asked if AES had made progress towards resolving recent liquidity problems caused by unpaid power subsidies (ref B). Mr. Pujals explained that AES was forced to increase its rates after the GOES was unable to resolve the issue by the October 12 deadline, when the "tariff reset" process sets rates for the next six months. The GOES issued a decree to postpone the deadline until October 27, but AES lawyers advised that the decree is not legally valid since it was not published until October 14, after the tariff reset. Pujals noted that AES is in an "uncomfortable position," as it is required by law to start applying unsubsidized rates even as the GOES continues to state publicly that subsidies will be maintained and electricity rates will not rise. He emphasized that AES is willing to negotiate an agreement to restore subsidized rates if the GOES sets a schedule to pay \$94 million it owes for subsidies accumulated from April-October 2008.

¶18. (C) Webster met October 20 with Esso Country Manager Jose Alfaro, who described how oil companies have faced persistent criticism and pressure due to high oil prices. Despite studies showing that El Salvador has one of the most competitive fuel markets in the region, Alfaro commented the GOES had "painted itself into a corner" by repeatedly complaining of "abuses" by oil companies, and implied the GOES could act to end these abuses and lower prices. The competition authority announced a controversial decision in September 2007 to fine Esso and Shell for alleged anticompetitive behavior, arguing that their joint-ownership of a refinery gave them a dominant market position (ref A). As Esso contests the case in court, Alfaro complained that the GOES has failed to intervene against blatant dumping by Albapetroleo, a joint venture between PDVSA and a consortium of FMLN mayors. Albapetroleo is importing diesel fuel from Nicaragua and distributing the fuel below cost to quickly gain market share and raise campaign funds. Alfaro warned that Esso may leave El Salvador if the problem of unfair competition from Albapetroleo is not resolved.

MCC Compact Site Visit

19 (U) Webster also visited one of the sites of activities to be funded by El Salvador,s \$461 million Compact with the Millennium Challenge Corporation (MCC). A group of Mayors representing the towns through and next to which the Compact-funded road would run in El Salvador,s Northern Zone highlighted the investment, employment, and other economic benefits the road would bring to their communities. Webster also attended a briefing by MCC,s in country personnel and staff of the GOES-counterpart organization, FOMILENIO, to a group of farmers highlighting the assistance to be provided under the Compact to encourage them and other farmers in the area to diversify their crops to increase their income. Not surprisingly, the farmers expressed concern about the cost and viability of making these adjustments. The MCC and FOMILINEO staff responded constructively to these concerns and promised further consultations. Webster was impressed by the dedication of the FOMILENIO staff present to making the MCC vision a reality.

Comment

¶20. (C) Webster,s visit clarified further the opinions of ARENA and the FMLN regarding their campaigns, platforms, and strategies, as well as prospects for finding common ground on issues of national importance. The visit also provided an opportunity to obtain additional information about the cloudy outlook for the Salvadoran economy. Since the visit, ARENA,s support has increased in the public opinion polls, and fuel prices have fallen by over a dollar per gallon.

¶21. (U) This cable has been cleared by WHA/CEN Director Christopher Webster.
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